

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Commission, ) Application No. C-1628/NUSF  
on its own motion, seeking to )  
conduct an investigation into ) PROGRESSION ORDER #5  
intrastate access charge reform )  
and intrastate universal )  
service fund. ) Entered: March 9, 1999

BY THE COMMISSION:

After nearly 19 months of work and study by the Commission and the parties to this docket, on January 13, 1999, this Commission entered its Findings and Conclusions (Order) in this docket for the purpose of reducing access charges and the subsidies which have been provided through access charges and to implement a Nebraska Universal Service Fund (NUSF) to support universal service to telephone customers in Nebraska. Subsequently, on February 2, 1999, the Commission modified the Order to restrict application of the surcharge for funding of the NUSF to intrastate telecommunications services only, pending further determination by the Commission.

On the date that the Order was entered by the Commission, it was envisioned that each carrier would submit a transition plan for Commission approval on or before March 31, 1999. While the due date for such plans will be extended as provided below, the Order requires that each transition plan "shall detail any and all rate adjustments during the applicable transition period." Order at p. 3. As a part of each transition plan, a carrier is required to include a tariff filing for each year of the transition plan to be submitted on or before July 1, of each year of the transition period. Such annual tariff filing, among other things, is to set forth the "level of ... local exchange service charges and the magnitude of the changes being made to these charges..." Order at p. 3-4.

To provide adequate time for the parties to comply with the requirements set forth in the Order, the previously set time-line is modified as follows:

- March 19, 1999 - Data request sent to ILECs
  - 1 or 3 year test period
  - Total company, jurisdictional or supported services for cost determination
  - Supplemental cost information, if needed
  - Request for assessment base sent to all contributing carriers

April 30, 1999 - Transition plans due

- Form M due
  - Elections and supplemental cost information due
  - Assessment base due
- June 2, 1999            - Transition plans approved
- NUSF surcharge determined
  - Remittance package sent to all contributing carriers
- July 1, 1999            - NUSF surcharge collection begins
- August 1, 1999 - First year toll plans filed by all toll providers (IXC, LEC & other)
- August 15, 1999        - July remittance to NUSF due
- Sept. 1, 1999           - All rate changes effective
- Sept. 15, 1999 - August remittance to NUSF due
- October 1, 1999        - NUSF distributions begin

Furthermore, the Commission clarifies its intentions regarding supported services. As set forth on page three of the Commission's January 13, 1999, Order in C-1628, supported services consist of: single party service; touch-tone; standard "white page" or alpha directory listing; access to directory assistance; access to interexchange services; access to emergency services such as 911 or E911; and access to operator services. In the context of focusing the embedded cost calculation for universal service support to supported services, costs shall include the costs for the services listed above including state access charges, extended area service and other local calling plans.

In the January 13, 1999, Order, the Commission established the residential target rate of \$17.50 and found that the single-line business service rate should be set at \$27.50. In recognition of the fact that current rates of each carrier bear a unique relationship to the target rates, the Commission, in the Order, made the following statement concerning rate increases:

In each annual filing, companies shall have the option of (1) increasing local service rates by the maximum percentage permitted by Neb. Rev. Stat. secs. 86-803 and 75-609.01 until such time as the rates meet the local rate rebalancing targets; or, (2) increasing local service rates annually at an amount approved by the Commission but less than the allowable statutory maximum so that, at the end of the transition period, residential and business rates are at or above the lower of the local rate rebalancing target or cost, unless otherwise approved by this Commission. Order at p. 4.

After further reflection on the various procedures which might be utilized by carriers pursuant to the above-quoted provision of the Order, and bearing in mind the burden that would be created for the Commission and its staff, as well as the carriers, by the requirement

that 42 local exchange carriers initiate annual rate proceedings for the next three years (in the case of non-rural carriers) or four years (in the case of rural carriers), the Commission has tentatively concluded that a different procedure is needed to accomplish local rate revisions in conjunction with transition plans to be filed by each Nebraska local exchange carrier.

The Commission finds that it would be wasteful of Commission resources and add undue expense and delay to the process to require each company to separately justify an increase in basic local exchange rates in connection with the submission of a compliant transition plan. Such basic local rate increases are necessary to implement the access reductions envisioned by the Commission in its Findings and Conclusions. The Commission finds that it would be in the interest of administrative economy to approve all local rate increases proposed in connection with a company's transition plan at the time of consideration of such plan and to approve all company transition plans, to the extent practicable, at one time.

The Commission encourages each carrier to file, as a part of its initial transition plan, a request pursuant to Neb. Rev. Stat. sec. 86-803(4) that the Commission prescribe and approve as fair, just and reasonable the local exchange rate revisions (a) for the entire three-year period of each non-rural carrier's transition plan, and (b) for the entire four-year period of each rural carrier's transition plan. The Commission shall determine that the rates set forth in the transition plan are "fair, just, and reasonable" basic local exchange rates if a company's transition plan is in compliance with the Commission's Findings and Conclusions and does not represent an increase in current basic local exchange rates for rates already above the local rate rebalancing targets at the time of filing.

The Commission finds that there is no statutory requirements related to the access changes required by the C-1628 Order. However, with respect to the non-rural company access changes in year three, the Commission proposes to hold hearings as to whether the proposed changes comply with the requirement that implicit subsidies have been removed from access charges by the end of the transition period. There would be a separate hearing for each non-rural company. These hearings would commence in the year 2000 and be completed by December 31, 2000.

In order to obtain and consider comments which any parties to this docket may wish to offer, the Commission solicits comments in response to the process for approval of company transition plans as discussed above. Comments should be filed with this Commission on or before April 9, 1999, at 5:00 p.m. CDT.

#### O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that a copy of this Progression Order #5 be served upon each of the parties to this docket.

IT IS FURTHER ORDERED that the time-line previously set forth in the January 13, 1999, Order in C-1628 is hereby modified

as set forth above.

IT IS FINALLY ORDERED that interested parties file comments on or before April 9, 1999, regarding the approval of company transition plans.

MADE AND ENTERED at Lincoln, Nebraska, this 9th day of March, 1999.

NEBRASKA PUBLIC SERVICE COMMISSION:

COMMISSIONERS CONCURRING:

Chairman

ATTEST:

Executive Director

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